

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Darby

H.B. No. 3198

A BILL TO BE ENTITLED

AN ACT

relating to liability for the additional tax imposed on land appraised for ad valorem tax purposes as qualified open-space land in the event of a change of use of the land as a result of oil and gas operations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.55, Tax Code, is amended by adding Subsection (s) to read as follows:

(s) The sanctions provided by Subsection (a) do not apply to a change in the use of land that occurs as a result of a lessee conducting oil and gas operations under a lease over which the Railroad Commission of Texas has jurisdiction under Section 81.051, Natural Resources Code.

SECTION 2. The change in law made by this Act applies only to a change of use of land that occurs on or after the effective date of this Act. A change of use of land that occurred before the effective date of this Act is governed by the law in effect when the change of use occurred, and the former law is continued in effect for that purpose.

SECTION 3. This Act takes effect September 1, 2017.

ADOPTED

MAY 22 2017

*Lotay Spauld*  
Secretary of the Senate

By: *Darby / Craig Estes*

H.B. No. 3198

Substitute the following for H.B. No. 3198 :

By: *W. Lee Miller*

C.S. H.B. No. 3198

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the eligibility of land to continue to be appraised for  
3 ad valorem tax purposes as qualified open-space land if the land  
4 begins to be used for oil and gas operations.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Subchapter D, Chapter 23, Tax Code, is amended by  
7 adding Section 23.524 to read as follows:

8 Sec. 23.524. OIL AND GAS OPERATIONS ON LAND. The  
9 eligibility of land for appraisal under this subchapter does not  
10 end because a lessee under an oil and gas lease begins conducting  
11 oil and gas operations over which the Railroad Commission of Texas  
12 has jurisdiction on the land if the portion of the land on which oil  
13 and gas operations are not being conducted otherwise continues to  
14 qualify for appraisal under this subchapter.

15 SECTION 2. The change in law made by this Act does not  
16 affect an additional tax imposed as a result of a change of use of  
17 land appraised under Subchapter D, Chapter 23, Tax Code, that  
18 occurred before the effective date of this Act.

19 SECTION 3. This Act takes effect September 1, 2017.

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 22, 2017**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3198** by Darby (Relating to the eligibility of land to continue to be appraised for ad valorem tax purposes as qualified open-space land if the land begins to be used for oil and gas operations.), **As Passed 2nd House**

**The bill's provision that would continue special open-space appraisal on land on which oil and gas operations have commenced would create a cost to the state through the school finance formulas because land under an oil or gas operation that would otherwise be taxable at its market value would continue to receive a significantly lower special appraised value and would avoid the five year rollback provision that would require the payment of additional taxes.**

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that the eligibility of land for special open-space appraisal does not end because a lessee under an oil and gas lease begins conducting oil and gas operations over which the Railroad Commission of Texas (RRC) has jurisdiction on the land if the portion of the land on which oil and gas operations are not being conducted otherwise continues to qualify for such appraisal.

The bill would not affect an additional tax imposed as a result of a change of use of land that occurred before the effective date.

This bill's provision that would continue special open-space appraisal on land on which oil and gas operations have commenced would create a cost to local taxing units, and to the state through the school finance formulas because land under an oil or gas operation that would otherwise be taxable at its market value would continue to receive a significantly lower special appraised value and would avoid the five year rollback provision that would require the payment of additional taxes and interest. Although the bill specifies that the five year rollback is not retroactive, the bill could be interpreted to be retroactive in regard to the lower tax provided by the bill on open-space land on which oil and gas operations have commenced.

The amount of open space land underneath oil and gas operations that is appraised at market value under current law but would be appraised at the lower special appraisal value under the bill is unknown; consequently, the bill's cost cannot be estimated.

The bill would take effect September 1, 2017.

**Local Government Impact**

The bill's provision that would continue special open-space appraisal on land on which oil and gas operations have commenced would create a cost to local taxing units because land under an oil or gas operation that would otherwise be taxable at its market value would continue to receive a significantly lower special appraised value and would avoid the five year rollback provision that would require the payment of additional taxes and interest.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 19, 2017**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3198** by Darby (relating to the eligibility of land to continue to be appraised for ad valorem tax purposes as qualified open-space land if the land begins to be used for oil and gas operations.), **Committee Report 2nd House, Substituted**

**The bill's provision that would continue special open-space appraisal on land on which oil and gas operations have commenced would create a cost to the state through the school finance formulas because land under an oil or gas operation that would otherwise be taxable at its market value would continue to receive a significantly lower special appraised value and would avoid the five year rollback provision that would require the payment of additional taxes.**

The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that the eligibility of land for special open-space appraisal does not end because a lessee under an oil and gas lease begins conducting oil and gas operations over which the Railroad Commission of Texas (RRC) has jurisdiction on the land if the portion of the land on which oil and gas operations are not being conducted otherwise continues to qualify for such appraisal.

The bill would not affect an additional tax imposed as a result of a change of use of land that occurred before the effective date.

This bill's provision that would continue special open-space appraisal on land on which oil and gas operations have commenced would create a cost to local taxing units, and to the state through the school finance formulas because land under an oil or gas operation that would otherwise be taxable at its market value would continue to receive a significantly lower special appraised value and would avoid the five year rollback provision that would require the payment of additional taxes and interest. Although the bill specifies that the five year rollback is not retroactive, the bill could be interpreted to be retroactive in regard to the lower tax provided by the bill on open-space land on which oil and gas operations have commenced.

The amount of open space land underneath oil and gas operations that is appraised at market value under current law but would be appraised at the lower special appraisal value under the bill is unknown; consequently, the bill's cost cannot be estimated.

The bill would take effect September 1, 2017.

## **Local Government Impact**

The bill's provision that would continue special open-space appraisal on land on which oil and gas operations have commenced would create a cost to local taxing units because land under an oil or gas operation that would otherwise be taxable at its market value would continue to receive a significantly lower special appraised value and would avoid the five year rollback provision that would require the payment of additional taxes and interest.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 12, 2017**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3198** by Darby (Relating to liability for the additional tax imposed on land appraised for ad valorem tax purposes as qualified open-space land in the event of a change of use of the land as a result of oil and gas operations.), **As Engrossed**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that the additional taxes and interest that are imposed on qualified open space land when the land's use changes to a non-qualifying use do not apply to a change in use that occurs as a result of a lessee conducting oil and gas operations under a lease over which the Railroad Commission of Texas (RRC) has jurisdiction under Section 81.051 of the Natural Resources Code, regarding the jurisdiction of the RRC.

Section 81.051 of the Natural Resources Code does not give the RRC jurisdiction over leases but over certain common carrier pipelines, oil and gas wells, persons owning or operating pipelines, and persons owning or drilling or operating oil or gas wells.

Because the bill applies to leases over which the RRC has jurisdiction under Section 81.051, and that provision does not give the RRC jurisdiction over leases, the bill would not affect taxable property values, tax rates, collection rates, or any other variable which might affect the revenues of units of local governments or the state.

The bill would take effect September 1, 2017.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 18, 2017**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3198** by Darby (Relating to liability for the additional tax imposed on land appraised for ad valorem tax purposes as qualified open-space land in the event of a change of use of the land as a result of oil and gas operations.), **As Introduced**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 23 of the Tax Code, regarding property tax appraisal methods and procedures, to provide that the additional taxes and interest that are imposed on qualified open space land when the land's use changes to a non-qualifying use do not apply to a change in use that occurs as a result of a lessee conducting oil and gas operations under a lease over which the Railroad Commission of Texas (RRC) has jurisdiction under Section 81.051 of the Natural Resources Code, regarding the jurisdiction of the RRC.

Section 81.051 of the Natural Resources Code does not give the RRC jurisdiction over leases but over certain common carrier pipelines, oil and gas wells, persons owning or operating pipelines, and persons owning or drilling or operating oil or gas wells.

Because the bill applies to leases over which the RRC has jurisdiction under Section 81.051, and that provision does not give the RRC jurisdiction over leases, the bill would not affect taxable property values, tax rates, collection rates, or any other variable which might affect the revenues of units of local governments or the state.

The bill would take effect September 1, 2017.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS